

**SHERIFF'S OFFICE
GRANT PROCEDURES
NOVEMBER 2004**

2004

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The County Council and County Executive
of Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter, Council Resolution 22-1985, and a request from the County Administration, we have conducted a review of selected activities of the

SHERIFF'S OFFICE
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and our report is submitted herewith. The scope of our examination related specifically to a review of the budgeting, accounting and reporting procedures of these grants. We also reviewed the procedures in place in the Department of Finance and the Office of Budget. The body of our report presents our findings and recommendations.

The contents of this report have been reviewed with the Chief Administrative Officer and the appropriate personnel in the Sheriff's Office, the Department of Finance, and the Office of Budget. We wish to express our gratitude to these individuals for the cooperation and assistance extended to us during the course of this engagement.

Ronald S. Weinstein, CPA
County Auditor

Auditor-in-Charge

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SHERIFF’S OFFICE GRANT PROCEDURES

TABLE OF CONTENTS

	<u>PAGE</u>
Letter of Transmittal	
Summary -----	1
Scope and Background -----	2
Findings and Recommendations -----	3

ATTACHMENTS

Juvenile Accountability Grant -----	1
Domestic Violence Advocate -----	2
Mobile Data Unit Grant -----	3
Alternative Sentencing Program -----	4
Summary -----	5
Grants Project Survey Form -----	6
Single Audit Worksheet -----	7
Budget Office Grant Form -----	8

SUMMARY

We reviewed the grant procedures related to the four grants administered by the Sheriff's Department and the related records for Fiscal years 2002, 2003, and 2004. We found variances in the amounts included in the budget for these grants and the amounts recorded in the County's financial records. There appear to be several reasons for these variances including the request for reimbursement for the grants by the Sheriff's Office and the receipt of revenue by the Finance Department, recording of revenues in the wrong account, not including fees in the budget, and the lack of County matching funds being transferred to the Grants fund. This combination of issues causes the General Fund to owe the Grants Fund a total of \$191,892 for the three-year period we reviewed.

We made several recommendations to improve these procedures and recommended the repayment of the \$191,892. The Budget Office authorized two journal entries at June 30, 2004, one for \$90,148 and one for \$108,999. That, in effect, covered this repayment. Other countywide improvements to the grants administration procedures have been initiated through our previous audits which should reduce the possibility for future errors of this type.

SCOPE

In accordance with a request from the Administration, we have reviewed the budgeting, accounting and reporting procedures for the grants processed through the Sheriff's Office of Howard County during fiscal years 2002, 2003, and 2004. Our review was initiated to determine what procedures are in place in the County to account for these grants and how the Sheriff's Office, the Department of Finance, and the Office of Budget interact in the grant process.

BACKGROUND

The Sheriff's Office receives four grants from State and Federal sources. The Sheriff's Office has received an Alternative Sentencing Program grant through the State of Maryland since 1995 to continue a community service program which is responsible for overseeing court-ordered sentences providing an alternative to incarceration with restitution for criminal activity through non-paid service to governmental agencies, charitable, and not-for-profit organizations. The rental of office space, copier, postage, training and personnel, in addition to administrative support for the administration of the grant that is essential to the operation of the program, has always been provided by the Sheriff's office. Since fiscal year 2001, local matching funds have been specifically budgeted in the grants fund to help cover these costs. There is also a \$30 administrative fee which is collected from the program clients. In 2001, the County began receiving funds for a second grant for the Domestic Violence Victim Advocate grant which provides an advocate/liaison at the Sheriff's Office to lend moral support to victims of domestic violence, helping them find available resources to stop violence in the home, and assisting them with various aspects of the legal process. County matching funds were budgeted in fiscal year 2003 only. This grant is not budgeted in fiscal year 2005 but is included in the State's Attorney's budget. The third grant, Mobile Data Unit, began in fiscal year 2004 to help in the prevention of domestic violence. Funding was provided for the purchase of mobile data computers to allow for quick access to records. County funds of \$2,200 were also budgeted. This grant was budgeted for one year only. The fourth grant is the Juvenile Accountability grant which started during fiscal year 2000 to provide more than a dozen specialized work sites, including weekend and school holiday work programs. It was 100% State funded and ended in fiscal year 2002.

FINDINGS AND RECOMMENDATIONS

We have reviewed the above four Sheriff's Office grants starting with determining the revenues and expenditures of the programs for fiscal years 2002, 2003, and 2004, where applicable. The grant process flows through several County agencies so it is important to decide what controls should be in place, what controls are in place, and to rectify any differences.

Juvenile Accountability Grant

As stated above, this grant began during fiscal year 2000 and ended in fiscal year 2002. County records show that revenues in fiscal year 2002 were \$20,940 more than expenditures and \$22,589 more than budget (attachment 1). Information on reimbursement checks from the State is not always present and reimbursements are requested by the Sheriff's Office but received in the Department of Finance. In addition, the States Attorney's Office has grants with similar names. For these reasons, it is possible that funds were credited to this account in error that should have been credited to one of the other grants.

Domestic Violence Advocate

This grant ended in fiscal year 2004 and County records show that expenditures were greater than revenues in each of the three years reviewed for a total funding deficit of \$108,999 (attachment 2). This amount was absorbed by the 051 Grants Fund. County matching funds were budgeted only in fiscal year 2003 in the amount of \$37,084 and these were not transferred from the General Fund to the Grants Fund as they should have been. In addition, no revenue was credited to this grant in fiscal years 2002 and 2004 and only \$2,062 was credited in fiscal year 2003. For the reasons stated above, it is possible that revenues for this grant were credited in error to other grants.

Mobile Data Unit Grant

This grant was for fiscal year 2004 only and expenditures were greater than revenues by \$13,685 (attachment 3). This amount was absorbed by the 051 Grants Fund. Included in this amount was \$2,200 in County matching funds that were not transferred from the General Fund to the Grants Fund. Once again, it is possible that revenues for this grant were credited in error to other grants.

Alternative Sentencing Program

This is the only grant in the Sheriff's Office that will continue in fiscal year 2005 with an approved budget of \$279,192. Of this amount, \$200,000 is Howard County matching funds and \$79,192 is State grant funds (used for personnel costs only). This program operates within the Community Service Section (CSS) of the Sheriff's Office under the direction of the Program Administrator, with a total of five full-time employees, and in conjunction with the Maryland Department of Public Safety and Correctional Services, Division of Parole and Probation. Quarterly financial reports are required by the State. The Sheriff's Office is responsible for informing the Office of Budget what the anticipated costs of the program will be for each fiscal year and the amount of grant funding anticipated to be received. Expenditures exceeded revenues in fiscal years 2002 and 2003 when budgeted County matching funds totaling \$343,978 were not

transferred from the General Fund to the Grants Fund. Matching funds of \$220,000 were transferred in fiscal year 2004 and revenues exceeded expenditures in that year by \$129,951. In addition, we found that the administrative fee which is collected from program clients was never budgeted. A total of \$137,940 was collected from program clients during the three years reviewed. The Howard County Code stipulates that the budget must include all anticipated revenue.

The net effect for the three-year period for the Alternative Sentencing Program on the County financial records was expenditures exceeding revenues by \$90,148 (attachment 4). This amount was also absorbed by the 051 Grants Fund. If all the matching funds budgeted had been transferred from the General Fund to the Grants Fund in fiscal years 2002 and 2003, the net effect for fiscal years 2002 thru 2004 would have been revenues exceeding expenditures by \$253,830, i.e., there would have been an excess of revenues over expenditures.

In summary, during the three-year period, i.e., fiscal years 2002, 2003 and 2004, expenditures for the four grants exceeded revenues by \$191,892 (attachment 5). It appears that the differences were caused by the County not transferring matching funds to the Grant program and some grant revenue being charged to the wrong programs. We reviewed this deficit of \$191,892 with the Department of Finance who indicated this amount appears to reconcile with amounts they believe should be funded for that period. Therefore, we recommend that:

1. *In order to repay the 051 Grants Fund for fiscal years 2002, 2003 and 2004 expenditures which should have been funded by the General Fund, an additional \$191,892 be transferred from the General Fund to the Grants Fund in accordance with the breakdown on attachment 5.*

Administration's Reponse:

These funds have been transferred from the General Fund to the Grants Fund as part of the closing for Fiscal Year 2004.

During the FY 2004 end of year closing, the Office of Budget requested information on possible grant adjustments. Subsequently, the Budget Office authorized two adjustments totaling \$199,147 which offset this recommendation.

2. *All anticipated grant revenue (such as the client administrative fee) be fully budgeted to be in compliance with County law.*

Administration's Reponse:

The Administration concurs with this recommendation and all anticipated grant revenue will be fully budgeted to be in compliance with County Law.

Department of Finance

The Department of Finance enters grant funding into the County's financial system based on the approved budget document. Grant revenue checks are received by the Department of Finance and are to be credited to the proper account and deposited. It is often difficult to determine the proper account and amount breakdown from the information supplied by the State on the check. In addition, there may be more than one agency with a grant of the same name. For example, the State's Attorney also had a Domestic Violence Victim Advocate grant in fiscal year 2004. For these reasons, it is possible that funds were inadvertently credited to an incorrect account.

Budget Office

The Office of Budget receives the estimated program costs and grant revenues from the Sheriff's Office and determines the amount of County funding necessary to provide the County matching funds. Although matching funds were budgeted, no review was made to determine if they were transferred to the Grants Fund. New forms and procedures (see below) put in place in fiscal year 2005 should guard against this reoccurring.

Additional New Procedures

Since problems have been found with the funding of certain County grants, the Department of Finance and the Office of Budget have developed several new forms. The Department of Finance has requested that all departments with grant funding complete a "Grant Project Survey" form (attachment 6) which requests detailed information on each grant and the funding requirements including any required county match. In addition, a "Single Audit Worksheet" form (attachment 7) requests information to be used by the external auditors during their audit work on federal programs. Also, the Department of Finance has introduced a procedure whereby grant managers in each department will be required to send notification of reimbursement requests to the Head Cashier. The notification will include the grant name, reimbursement amount and revenue account to be credited. The Head Cashier will send notification to the appropriate grants manager when the funds have been received.

The Office of Budget has prepared a new detailed information form (attachment 8) that will be submitted with each grant included in the budget. This form requests information such as the source of the numbers included for the grant, the payment method, and the amount of matching funds. These forms will provide the County with additional data on all grants in a format that will be consistent in all departments. The information should be summarized and compared to the amounts included (especially County funding requirements) in both the budget documents and the financial records. We recommend that:

- 3. The County move forward as quickly as possible with the grants coordinator position and the coordination between the Departments and the Department of Finance and Office of Budget to ensure grant information for fiscal year 2005 is accurate and matching funds are budgeted correctly and transferred to the grants fund as required.**

Administration's Response:

The Department of Finance is in the process of hiring a part-time Grants Administrator who will work with the Grants Manager to ensure that various department outputs are monitored and filed in a timely manner.

During our grant reviews we discussed the differences in grant procedures at each of the Departments. All of the County agencies should be using the same procedures in applying for, approving, receiving, expending and transferring matching revenue funds. Therefore we recommend that:

- 4. The Grant Administrator prepares a flow chart which shows how approvals and documents should flow in the County's grant process.**

Administration's Response:

The Administration concurs with this recommendation and a flow chart will be prepared.

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